

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO
AMERICAN POSTAL WORKERS UNION, AFL-CIO, INTERROGATORIES,
REDIRECTED FROM WITNESS ELMORE-YALCH
APWU/USPS-T11-17-19**

The United States Postal Service hereby provides the responses of witness Whiteman to the above-listed interrogatories of the American Postal Workers Union, AFL-CIO, dated February 23, 2012, and redirected from witness Elmore-Yalch. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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March 8, 2012

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WITNESS WHITEMAN TO APWU INTERROGATORY,
REDIRECTED FROM WITNESS ELMORE-YALCH

APWU/USPS-T11-17. Pages 50-52 of your testimony presents [*sic*] quantitative projections of volume change behavior of customers due to service standard changes by major class. What are the projections for each major sub-category of mail and parcels within the classes, and specifically the parcel sub-categories?

- a) For FCM and Standard Mail is there a projection for the parcel sub-category within each main class of mail? If so, please provide these forecasts.
- b) Is there a forecast for Package Mail class of market dominant products? If so, please provide this forecast.
- c) Is there a forecast for the parcel component of Priority and Express mail? If so, please provide these forecasts.

RESPONSE:

This question reflects misunderstanding of the market research and how it was used. Questions posed to quantitative research respondents did not inquire about “parcels,” or “Package Mail.” As summarized in my testimony (page 7);

Witness Elmore-Yalch also describes the quantitative market research conducted in October and November 2011 to enable the Postal Service to forecast the percentage changes in volume resulting from service standards changes for First-Class Mail™ and Periodicals™.

We made further use of the quantitative market research results (USPS-T-12, page 21):

Estimation of the product specific volume changes starts with witness Elmore-Yalch’s change estimates for the respective account segments. While Ms. Elmore-Yalch is an expert researcher, cross walking account segments to respective postal products requires some analysis and assumptions that my office is better prepared to conduct. We essentially replicated the approach used to estimate the volume and revenue impact in my testimony in Docket No. N2010-1. This process begins with quantified recognition that each account segment uses the mail for its own sets of purposes, which can be analyzed in terms of product usage. This allows me to sum product usage across the segments. The calculations are shown in library reference USPS-LR-N2012-1/NP1 (*Market Research Materials (Non-public)*).

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So to the extent APWU seeks more specific projections, it needs to examine

USPS-LR-N2012-1/NP1 (as recently revised to reflect errors caught by POIR2).

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APWU/USPS-T11-18. Please refer to pages 50-52 of your testimony. Customer derived forecasts for First Class Mail show declines for each customer category. However, the forecast declines are negligible for National, Premier and Small Business accounts, while the declines forecasted for Preferred accounts and Consumers are quite large (with Home businesses actually forecasting an increase in volume). How are these very different forecasts explained?

a) For Priority Mail, two classes (National and Premier) of customers forecast significant increases in volume while the other four forecast very significant declines in use. How are these forecasts, which run counter to each other, explained?

b) For Express Mail, only Premier accounts forecast an increase in use and it is a very large 10.23% increase. All other classes project small to very large declines in usage. How are these differences in forecasts explained?

c) Within the National account category, only Priority Mail is expected to increase while all other categories of Mail decline. Why?

RESPONSE:

Regardless of how one may characterize the results, data collection by ORC International is documented in detail by witness Elmore-Yalch (USPS-T-11). I then used the same approach the Postal Service used in five-day delivery to refine the results by application and segment into what are reported for products such as First-Class Mail, Priority Mail and Express Mail. The quantitative market research produces the results without explaining them beyond their empirical derivation. The quantitative market research thus does not enable comparison of results from one segment to another since each represents a different type of customer.

How customers use mail in each segment, how much they mail, how often they mail, and what mailing objectives they pursue can be significantly different. While I am unable to explain these specific variations, I can say that they do not seem to me in any way wrong or implausible; to the contrary, I think the results are eminently reliable.

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As should be clear from both my testimony and witness Elmore-Yalch's testimony, the market research results are empirically derived using methods that are fully transparent and documented on the record. My testimony is that the results are reasonable and actionable.

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APWU/USPS-T11-19. One could argue that many of the quantitative results are counterintuitive, for example, volume is forecasted to increase in only three “cells” of the forecast matrix (National accounts use of Priority Mail and Premier Accounts use of Priority and Express Mail) specifically when the reduction in service standards is the only factor considered. How is this explained and to what extent do these apparent anomalies cast doubt on the quality of the forecast results?

RESPONSE:

APWU may care to argue what it so chooses. The market research results are empirically derived using methods that are fully transparent and documented on the record. My testimony is that the results are reasonable and actionable.